

## Message Text

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ACTION XMB-04

INFO OCT-01 AF-10 ISO-00 EB-08 TRSE-00 COME-00 CIAE-00  
INR-10 NSAE-00 OPIC-03 SS-15 SP-02 /053 W  
-----084687 040219Z /66

R 030856Z APR 78  
FM AMEMBASSY DAKAR  
TO SECSTATE WASHDC 3542  
AMEMBASSY LIBREVILLE  
INFO AMEMBASSY ANTANANARIVO  
AMEMBASSY KHARTOUM  
AMEMBASSY NAIROBI  
AMEMBASSY PORT LOUIS

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E.O. 11652: N/A  
TAGS: EINV, SG  
SUBJECT: N-REN IN SENEGAL

REF: (A) STATE 77055, (B) LIBREVILLE 705

1. SUMMARY: N-REN PLAN TO CONSTRUCT UREA/AMMONIA PLANT IN SENEGAL HAS ENCOUNTERED PROTRACTED DELAY, BUT EMBASSY BELIEVES PRIMARY CAUSE LIES IN GOS INDECISION. END SUMMARY.

2. N-REN AND GOS FORMED LOCAL CORPORATION CALLED FERTISEN IN 1974 TO CONSTRUCT PLANT WITH CAPACITY 180 METRIC TONS/DAY AMMONIA AND 230 METRIC TONS/DAY UREA. N-REN TOOK 60 PERCENT EQUITY AND GOS 40 PERCENT WHICH WAS DEPOSITED IN FERTISEN'S ACCOUNT IN BIAO (BANK INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE). ACCORDING TO N-REN, SHORTLY THEREAFTER GOS WITHDREW ITS SHARES WITHOUT CONSULTATION AND N-REN CONSIDERED LEGAL ACTION. EVENTUAL APPEAL BY N-REN LOCAL REP TO PRESIDENT SENGHOR RESULTED IN NEW EQUITY ARRANGEMENT WITH 85 PERCENT (N-REN)-  
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15 PERCENT (GOS) SPLIT WHICH STILL IN EFFECT.

3. FRICTION CONTINUED BETWEEN THE PARTNERS OVER SITE FOR PLANT. GOS WANTED FERTISEN AT CAYAR, 50 MILES NORTH OF DAKAR, A MOVE WHICH N-REN SUCCESSFULLY RESISTED. N-REN HAS NOW SECURED SITE IT CONSIDERS OPTIMAL, NEXT TO OIL REFINERY IN DAKAR'S INDUSTRIAL REGION. UNTIL

LAST MONTH, HOWEVER. THERE WAS CONCERN THAT GOS HAD ALLOCATED THIS PROPERTY FOR GOVERNMENT HOUSING PROJECT.

4. N-REN HAS PUT TOGETHER EUROPEAN FINANCING FOR \$35 MILLION PLANT BUT HAS HAD DIFFICULTY IN OBTAINING GOS FINANCIAL GUARANTEES WHICH IT IS SEEKING. ENTIRE AMMONIA PORTION OF PLANT WAS BUILT IN AUSTRIA AND HAS BEEN READY FOR SHIPMENT FOR OVER YEAR. (THE FACTORY IS ON SKIDS AND IS ESSENTIALLY READY FOR PRODUCTION UPON ITS ARRIVAL ON SITE.) N-REN WILL SHIP AS SOON AS GOS PROVIDES GUARANTEES, SUBJECT ON WHICH IT HAS EQUIVOCATED FOR THREE YEARS. IN SUMMER OF 1977 GOS, MISTRUSTFUL OF N-REN'S FEASIBILITY STUDY FOR PROJECT, ORDERED INDEPENDENT STUDY; BUT, ACCORDING TO N-REN, THIS STUDY PROJECTED ENORMOUS PROFITABILITY, PREVENTING GOS FROM BACKING OUT AT THAT TIME.

5. IN RECENT MEETING WITH MINISTRY OF INDUSTRIAL DEVELOPMENT, EMBOFFS FOND CABINET DIRECTOR HAD TURNED SOUR ON FEYTISEN BECAUSE OF "SLUMPING WORLD MARKET FOR FERTILIZER." HE INDICATED THAT GOS NOW READY TO "LEAVE PROJECT TO PRIVATE SECTOR," IMPLYING GUARANTEES WOULD NOT BE FORTHCOMING. THIS REMAINS STICKING POINT, AND RECENT SENEGALESE MINSTERIAL RESHUFFLE, WHICH REMOVED FROM MINISTRY OF INDUSTRIAL DEVELOPMENT LOUIS ALEXANDRENNE (WITH WHOM N-REN HAD CLOSE RELATIONSHIP), LIMITED OFFICIAL USE

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MAY REPRESENT FURTHER COMPLICATION FOR FERTISEN.

6. WHILE N-REN ROLE IN SENEGAL HAS BEEN UNPRODUCTIVE TO DATE, COMPANY HAS MADE PERSISTENT EFFORT TO REALIZE PROJECT AND GOS APPEARS TO BEAR PRIMARY RESPONSIBILITY FOR CURRENT STATE OF AFFAIRS. (ALTHOUGH IT IS NOT ENTIRELY CLEAR TO US WHY, GIVEN N-REN'S CONFIDENCE IN VIABILITY OF PROJECT, IT DOES NOT PROCEED WITHOUT GUARANTEES,) N-REN HAS MAINTAINED PHYSICAL PRESENCE IN DAKAR INCLUDING OFFICE AND VILLA IN ORDER TO UNDERLINE TO GOS ITS CONTINUING INTEREST, ALTHOUGH IT NO LONGER HAS RESIDENT AMERICAN REPRESENTATIVE. FREQUENT VISITS ARE MADE BY MILTON BROWN, N-REN'S REP IN BRUSSELS, TO TRY TO MOVE PROJECT FORWARD AND COUNTERACT EMBARRASSMENT CAUSED N-REN BY LAST RESIDENT REP WHO IMPORTED, LICENSED AND SOLD PERSONAL VEHICLE WITHOUT OBSERVING LEGAL FORMALITIES.

7. OPIC FINANCE OFFICER TREADWELL, WHO WAS VISITING DAKAR WHEN REFTELS ARRIVED, IS FAMILIAR WITH N-REN ACTIVITIES THROUGHOUT AFRICA. HE HAS RETURNED TO WASHINGTON AND EXIM MAY WISH TO CONTACT HIM.

8. AMBASSADOR'S COMMENT: IT IS CLEAR FROM MY DISCUSSION WITH MILTON BROWN THAT N-REN IS INSISTING ON A FULL GOS GUARANTEE OF ITS FINANCING INCLUDING THE RISK OF COMMERCIAL FAILURE. IT SEEMS TO ME THAT THIS DEMAND IS EXCESSIVE, ESPECIALLY IF N-REN ITSELF FEELS REASONABLY SURE THAT THE VENTURE WOULD BE PROFITABLE. IF THIS THE ONLY ELEMENT THAT IS DELAYING THE PROJECT, I WOULD TEND TO PLACE THE RESPONSIBILITY FOR DELAY AT N-REN'S DOORSTEP. N-REN HAS NOT CLAIMED, AT LEAST IN CONVERSATION WITH US, THAT FINANCING IS CONTINGENT UPON GOS GUARANTEE. IN ANY EVENT, THERE APPEARS TO BE NO BASIS FOR EMBASSY INTERVENTION ON N-REN'S BEHALF AT THIS STAGE OF THE INVESTMENT'S EVOLUTION.

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## Message Attributes

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**TAGS:** EINV, SG  
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